

Message Text

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ACTION AF-10

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SUBJECT: TANZANIA'S DEVELOPMENT PLAN

REF: (A) DAR ES SALAAM 1816 AND 1817

(B) 76 DAR ES SALAAM A-50, A-49, AND A-33

(C) IBRD'S ECONOMIC MEMORANDUM ON TANZANIA, APRIL 1977

1. OUTLINE OF TANZANIA'S THIRD FIVE YEAR PLAN (TFYP) WAS DESCRIBED REF A. IT CONTAINS NO SURPRISES NO DEPARTURES FROM STATED POLICY. (ALSO SEE DAR 1719.) IN PAPER PREPARED FOR CONSULTATIVE GROUP MEETING (CGM) LATER THIS MONTH, TANGOV FAIRLY FRANK IN PORTRAYING DISAPPOINTING RECENT ECONOMIC PERFORMANCE AND WEAKNESSES TO BE OVERCOME. TANGOV BELIEVES SITUATION IMPROVING TO EXTENT THAT SIX PERCENT ANNUAL GDP GROWTH NOW SUSTAINABLE. MOST OBSERVERS ARE LESS OPTIMISTMK. ANALYSES CONTAINED REF B, REF C, AND OTHER RECENT ECONOMIC STUDIES RAISE SERIOUS DEFICIENCIES AND ISSUES (E.G., QUESTION OF INCENTIVES) TO BE RESOLVED BEFORE TANZANIA FIRMLY SET ON FIVE-SIX PERCENT TREND OF ANNUAL PRODUCTIVE GROWTH.

2. AGRICULTURE ACCOUNTS FOR 40 PERCENT OF GDP, AND PRODUCTION

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INCREASES OF FIVE PERCENT YEARLY, DOUBLE THE PRESENT RATE, ARE ESSENTIAL TO MEET OTHER TFYP OBJECTIVES. DUE TO FAVORABLE WEATHER, THIS YEAR'S FOOD CROP SHOULD BE GOOD. HOWEVER, FOOD SELF-SUFFICIENCY AND PATTERN OF GROWTH NOT ASSURED. PRODUCTION OF AGRICULTURAL EXPORTS HAS BEEN RELATIVELY STAGNANT OVER PAST EN YEARS AND OUTLOOK NOT ENCOURAGING. DESPITE SOME IMPROVEMENTS, E.G., HIGHER PRODUCER PRICES, TANGOV NOT YET

PROVIDING SUFFICIENT SERVICES, CONTINUITY OF POLICY, AND CONSUMER GOODS TO ENCOURAGE GREATER PRODUCTIVITY FROM PEASANT FARMERS. IF GOVERNMENT SERIOUSLY ATTEMPTS TO FORCE RURAL PRODUCTION, PASSIVE RESISTANCE BY PEASANTS COULD WELL RESULT. AT CGM, TANGOV EXPECTED PRESS AHEAD FOR STRATEGIC GRAIN RESERVE.

3. PERFORMANCE IN MANUFACTURING, PARTICULARLY STATE-RUN

COMPANIES, HAS BEEN INADEQUATE. GIVEN THE CONTINUED WEAKNESSES OF INDUSTRY, IT IS UNLIKELY THAT PLANNED LARGE INVESTMENTS WILL PRODUCE COMMENSURATE RESULTS. PUBLIC INDUSTRIAL SECTOR UNLIKELY IN NEXT FEW YEARS TO GENERATE SIGNIFICANT PROFITS FOR DEVELOPMENT. REF C DESCRIBES TANZANIA'S INDUSTRIAL STRATEGY AND PROBLEMS. TANGOV WILL INCREASINGLY BE APPROACHING AID DONORS FOR INDUSTRIAL FINANCING. ANTICIPATED AID PLUS INTERNALLY GENERATED FUNDS WILL BE INSUFFICIENT TO MEET GOALS. TANGOV WILL HAVE TO TRY HARDER TO TAP ARAB MONEY AND MAY HAVE TO RECONSIDER ITS CURRENT POLICY OF NON-ENCOURAGEMENT OF FOREIGN PRIVATE INVESTMENT. PLANNERS JUSTIFY HIGHER PRIORITY TO INDUSTRY IN TERMS OF SELF-RELIANCE, ABSORPTIVE CAPACITY, AND BALANCE OF TRADE.

4. TRANSPORT AND COMMUNICATIONS REQUIREMENTS ARE ESTIMATED IN THE HUNDREDS OF MILLIONS OF DOLLARS. NECESSARY REFURBISHMENT OF CENTRAL RAILWAY ALONE WILL COST \$200 MILLION, OF WHICH CANADIANS HAVE PLEDGED ONE QUARTDU. SIGNIFICANT PORTION OF TANZANIA'S ROAD NETWORK REQUIRES UPGRADING. DEMISE OF EAST AFRICAN CORPORATIONS MEANS ADDED HEAVY EXPENSES, PARTICULARLY IF TANGOV UNWILLING USE ANY KENYAN FACILITIES. TANGOV WILL PRESS HARD FOR AID TO THIS SECTOR OVER AND ABOVE PLANNED LEVELS LIMITED OFFICIAL USE

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SO THAT TFYP TARGETS AND STRATEGIES WILL NOT BE SERIOUSLY DISRUPTED. WE EXPECT THERE WILL BE CONSIDERABLE GAP BETWEEN TANGOV REQUESTS AND DONOR COMMITMENTS. FURTHER PROBLEM IS A CONSTRUCTION INDUSTRY PLAGUED WIOQ SERIOUS SHORTAGES OF EQUIPMENT, RAW MATERIALS, AND SKILLED LABOR. OVER PAST THREE YEARS CONSTRUCTION HAS BEEN DROPPING AS PERCENTAGE OF GDP.

5. SOCIAL WELFARE SERVICES (RURAL WATER, EDUCATION AND HEALTH) WILL RECEIVE RELATIVELY LESS DEVELOPMENT RESOURCES THAN PREVIOUSLY IN FAVOR DIRECTLY PRODUCTIVE ENTERPRISES. SLIPPAGE IN TARGET DATES FOR SUCH OBJECTIVES AS UNIVERSAL PRIMARLY EDUCATION PROBABLY WARRANTED BY ECONOMIC REALITIES. OBSERVERS THINK HIGH GROWTH RQLES OF ADMINISTRATION, DEFENSE AND OTHER SERVICES SHOULD ALSO BE REDUCED.

6. IT IS DIFFICULT TO ASSESS THE POTENTIAL IMPACT OF TANZANIA'S SOCIALIST PHILOSOPHY AND POLICIES OVER THE PAST DECADE ON ACHIEVING TFYP GOALS. DSPITE SOCIAL WELFARE AND EGALITARIAN ADVANCES, IT WOULD SEEM THAT TANZANIAN SOCIALISM HAS NOT

YET TRANSFORMED ATTITUDES AND ORGANIZATIONS INTO A POSITIVE
FORCE FOR ECONOMIC PROGRESS.
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